

ORDINANCE NO. 2013-70

AN ORDINANCE OF THE CITY OF SAN MARCOS, TEXAS, UPDATING AND AMENDING WATER AND WASTEWATER IMPACT FEES TO BE CHARGED BY THE CITY OF SAN MARCOS BY AMENDING CHAPTER 86, ARTICLE 5, DIVISION 4 – IMPACT FEES, OF THE SAN MARCOS CITY CODE; ADOPTING UPDATED LAND USE ASSUMPTIONS AND AN UPDATED CAPITAL IMPROVEMENTS PLAN; AMENDING THE IMPACT FEE SERVICE AREA BOUNDARIES FOR THESE FACILITIES; ADOPTING THE 2013 “UPDATE OF THE WATER AND WASTEWATER IMPACT FEES” REPORT; AMENDING EXEMPTIONS AND EXCLUSIONS FROM IMPACT FEES; AND BY DELETING CHAPTER 7, ARTICLE 7 – IMPACT FEES AND CHAPTER 8 – DEFINITIONS, ARTICLE 3 – IMPACT FEE DEFINITIONS, BY DELETING THESE SECTIONS IN THEIR ENTIRETY FROM THE LAND DEVELOPMENT CODE TO AVOID DUPLICATION; PROVIDING FOR SEVERABILITY; PROVIDING FOR SAVINGS AND REPEAL; INCLUDING PROCEDURAL PROVISIONS; PROVIDING FOR PENALTIES; AND PROVIDING FOR AN EFFECTIVE DATE.

RECITALS:

1. The City Council of the City of San Marcos (“City Council”), Texas previously passed Ordinance No. 2002-67 amending impact fees for water and wastewater facilities and adopted updated land use assumptions, updated its impact fee capital improvements plan, and its impact fee service areas on September 25, 2002, which was subsequently amended by Ordinance No. 2002-81 on December 9, 2002; and

2. The City of San Marcos (“City”) has caused its existing Land Use Assumptions, Impact Fee Service Area and Impact Fee Capital Improvements Plan to be reviewed, evaluated and updated by qualified professionals using generally accepted engineering and planning practices in accordance with the provisions of SUBCHAPTER B OF CHAPTER 395 OF THE TEXAS LOCAL GOVERNMENT CODE; and

3. The City’s consultant has prepared an “Update of the Water and Wastewater Impact Fees of the City of San Marcos, Texas” dated October 2013 attached hereto as Exhibit A (the “Impact Fee Report”) which is adopted and incorporated herein for all purposes; and

4. The City Council appointed a Capital Improvements Advisory Committee (“CIAC”) by Resolution 2009-73 to advise the City Council concerning amendments to the land use assumptions, impact fee capital improvements plans and impact fees for water and wastewater facilities; and

5. Pursuant to SECTION 395.056, TEXAS LOCAL GOVERNMENT CODE, the CIAC has filed written comments on the proposed amendments to the Land Use Assumptions, Impact Fee

Service area and Impact Fee Capital Improvements Plan before the 5th day before the date of the public hearing on the amendments; and

6. The City Council has reviewed and updated and amended Land Use Assumptions, Impact Fee Service area and the Impact Fee Capital Improvements Plan and each impact fee study referenced above and held a public hearing on December 3, 2013 to receive public input on the proposed updates and amendments to the Land Use Assumptions, Impact Fee Service Area and the Capital Improvements Plan and the Impact Fee Report; and

7. The Impact Fee Report and proposed updates and amendments to the Land Use Assumptions, Impact Fee Service Area and Impact Fee Capital Improvements Plan were made available to the public; and

8. The City published notice of such public hearing in accordance with the requirements of TEXAS LOCAL GOVERNMENT CODE SECTION 395; and

9. The City Council finds that the approval of the updated Land Use Assumptions, Impact Fee Service Area, Impact Fee Capital Improvements Plan and Impact Fee Report furthers the public health, safety and general welfare by recovering the costs to extend water and wastewater to serve new development;

10. The City Council further finds that the City has fully complied with CHAPTER 395 OF THE TEXAS LOCAL GOVERNMENT CODE, as amended, in the notice, adoption, promulgation and methodology necessary to update and amend the City's impact fees for water and wastewater facilities;

11. This ordinance is intended to and satisfies the statutory requirements for amending Land Use Assumptions, Impact Fee Capital Improvements Plan and Impact Fees;

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF SAN MARCOS, TEXAS:

SECTION 1. CHAPTER 86 - UTILITIES, ARTICLE 5 – FEES, CHARGES AND BILLING PROCEDURES, DIVISION 4 – IMPACT FEE ORDINANCE, OF THE SAN MARCOS CITY CODE is amended as follows (added text is indicated by underlining and deleted text is indicated by ~~strikethroughs~~):

Subdivision 1 – General Provisions

Sec. 86.291. - Short title.

This division, or its subsequent codification, shall be known and cited as the San Marcos Impact Fee Ordinance.

Sec. 86.292. - Purpose.

(a) This division is intended to assure the provision of adequate public facilities to serve new development in the city by requiring each new development to contribute payments towards its share of the costs of the facilities necessitated by and attributable to the new development.

(b) Supplemental Regulation.

(a) Impact fees established by this division are additional and supplemental to, and not in substitution of, any other requirements imposed by the city on the development or subdivision of land, the issuance of building permits, or the sale of water or wastewater taps. Impact fees are intended to be consistent with and to further the policies of the city's comprehensive land use plan, the capital improvements plan, the zoning division, subdivision regulations and other city policies, divisions and resolutions by which the city seeks to ensure the provision of adequate public facilities in conjunction with the development of land.

(b) This division shall not affect in any manner the permissible use of property, density of development, design, and improvement standards and requirements, or any other aspect of the development of land or provision of public improvements subject to city zoning, subdivision or other regulations, which shall remain in full force and effect without limitation.

(c) This division is not intended to replace or supersede the city's subdivision and other regulations requiring the dedication, extension or construction of water or wastewater improvements, and is intended to be interpreted consistently with such regulations.

(d) The cost per service unit for any category of capital improvement under this division may be used in determining whether a city regulation requiring the dedication or construction of that type of capital improvement is proportional to the nature and extent of the impacts of a new development on the city's facilities.

Sec. 86.293. - Authority.

This division is adopted pursuant to TEXAS LOCAL GOVERNMENT CODE CHAPTER 395 as amended, and the City Charter. The provisions of this division shall not be construed to limit the power of the city to utilize other methods authorized under state law or pursuant to other city powers to accomplish the purposes set forth herein, either in substitution or in conjunction with this division. Guidelines may be developed and approved by division, resolution, or otherwise to implement and administer this division.

Sec. 86.294. - Definitions.

Assessment means the determination of the amount of the maximum impact fee per service unit which can be imposed on new development under this division.

Capital Improvements Advisory Committee or *CIAC* means the City's Planning and Zoning Commission, together with *ad hoc* representatives as may be appointed from time to time to fulfill the composition mandated by TEXAS LOCAL GOVERNMENT CODE CHAPTER 395, as amended.

Capital improvement means either a water facility or a wastewater facility, with a life expectancy of three or more years, to be owned and operated by or on behalf of the city.

Capital improvements plan means the adopted plan, as amended from time to time, that identifies water and wastewater capital improvements or facility expansions and their associated costs which are necessitated by and attributable to new development and will be financed in whole or in part through water or wastewater impact fees imposed under this division. The capital improvements plan includes the wastewater improvements plan and the water improvements plan.

City means the City of San Marcos, Texas.

Credit means the amount of the reduction of an impact fee for fees, payments or charges for the same type of capital improvements for which the fee has been assessed.

Director means the Public Services Director or Department Director designated by the City Manager.

Department means the Public Services Department or Department designated by the City Manager. *Facility expansion* means an expansion of the capacity of any existing water or wastewater facility, as applicable, for the purpose of serving new development, but does not include the repair, maintenance, modernization, or expansion of an existing water or wastewater facility to the extent that it serves existing development.

Impact fee means a fee either for water facilities or for wastewater facilities imposed on new development in order to generate revenue to fund or recoup all or part of the costs of capital improvements or facility expansions necessitated by and attributable to the new development. Impact fees do not include: 1) the dedication of rights-of-way or easements for water facilities or wastewater facilities, 2) a requirement for the construction of such facilities imposed under the city's zoning or subdivision regulations, 3) fees placed in trust funds for the purpose of reimbursing developers for oversizing or constructing water or wastewater mains, 4) pro rata fees for reimbursement of the city's costs for extending water or wastewater mains, or 5) charges for water or wastewater services to a wholesale customer such as a water district, political subdivision of the state, or other wholesale utility customer.

Land use assumptions means the projections of population and employment growth and associated changes in land uses, densities and intensities and other planning information adopted by the city, as amended from time to time, upon which the capital improvements plan is based.

New development means an activity involving the construction, reconstruction, redevelopment, conversion, structural alteration, relocation, or enlargement of any structure, or any use or extension of land, which 1) has the effect of increasing the requirements for capital improvements or facility expansions, measured by the number of service units to be generated by the activity, 2) requires the approval of a plat, the issuance of a building permit, or connection to the city's water or wastewater system, and 3) is not exempted from impact fees by the provisions of this division. New development includes the conversion of an existing use from on-site water or wastewater facilities to the use of city water or wastewater facilities.

Offset means a reduction of an impact fee designed to fairly reflect the value of system facilities provided by a developer under the city's subdivision regulations or other requirements, in accordance with this division or council-approved administrative guidelines.

Plat has the meaning given the term in Chapter 8 of the Land Development Code. Plat includes replat.

Plat recordation means the date the final plat of a subdivision is filed in the appropriate county records.

Plumbing permit means any plumbing permit issued by the city building inspection division.

Property owner means any person, corporation, legal entity or agent thereof having a legal or equitable interest in the land for which an impact fee becomes due. Property owner includes the developer for a new development.

Recoupment means the imposition of an impact fee to reimburse the city for capital improvements which the city has previously oversized to serve new development.

Service area means either an impact fee water service area or an impact fee wastewater service area within the city or the city's extraterritorial jurisdiction, within which impact fees may be collected for new development, and within which the impact fees will be expended for the types of facility improvements or expansions identified in the capital improvements plan.

Service unit means a living unit equivalent ("LUE") based upon the maximum continuous rated flow for a $\frac{5}{8}$ " by $\frac{3}{4}$ " displacement-type standard residential water meter, which serves as the standardized measure of consumption, use or generation attributable to new development. The number of service units or LUEs for larger meters is based upon the meters' flow capabilities relative to the $\frac{5}{8}$ " x $\frac{3}{4}$ " meter and are contained in Schedules 1 and 2.

Site-related facility means an improvement or facility which 1) is for the primary use or benefit of a new development, or for the primary purpose of safe and adequate provision of water or wastewater facilities to serve a new development (including improvements and facilities needed to meet the greater of the city's minimum standards for water or wastewater facilities or the needs of the property being developed including, where development is being phased, all property and uses described in the subdivision concept plan for the area being developed), 2) is not included in the impact fees capital improvements plan, and 3) the developer or property owner is solely responsible for constructing or installing under subdivision or other applicable regulations.

System facility means a capital improvement or facility expansion which is designated in the capital improvements plan as a public facility owned and operated by the City and is not a site-related facility.

Utility application includes 1) any request for connection of a new development to the city water or wastewater system, 2) any request to replace or increase the size or capacity of an existing water meter to serve new development, or 3) any report, including a report from a property owner, a city employee or official, or another provider of water or wastewater services, of an additional connection to, or an increase in the use of, city water or wastewater facilities.

Wastewater facility means a wastewater interceptor or main, lift station, treatment facility or other facility included within and comprising an integral component of the city's collection, transmission and treatment system for wastewater. Wastewater facility; includes land, easements or structures associated with such facilities. Wastewater facility excludes a site-related facility.

Water facility means a water transmission line or main, pump station, storage tank, water supply facility, treatment facility or other facility included within and comprising an integral component of the city's water production, supply, storage or distribution system. Water facility includes land, easements or structures associated with such facilities. Water facility excludes a site-related facility.

Water meter means a device for measuring the flow of water to a development, whether for domestic, commercial, industrial, fire protection, irrigation, or other purposes.

Sec. 86.295. - Applicability.

(a) This division applies to all new, non-exempt development within the city limits and its extraterritorial jurisdiction within the applicable service areas. The provisions of this division shall apply uniformly within each service area.

(b) **Exemptions.**

(1) No wastewater impact fee shall be charged for an irrigation meter.

(2) No impact fee shall be charged for a fire line meter that serves only a fire suppression system.

(3) To encourage affordable housing as defined by 42 U.S.C. §12745, the city may refund impact fees paid for construction of a new single-family dwelling that qualifies for the refund under affordable housing guidelines approved by the city council and exempt the construction of new single-family dwellings by Habitat for Humanity, San Marcos, Texas Chapter and San Marcos Housing Authority.

(c) The city manager is authorized to adopt and administer guidelines for applying the provisions of this section.

Sec. 86.296. - Impact fee as condition of development approval.

All applications for approval related to a new development shall be subject to assessment and collection of impact fees under this division, and each approval of a building permit, plumbing permit or utility application shall be conditioned on payment by the applicant of impact fees imposed under this division.

Sec. 86.297. - Maximum impact fees per service unit.

(a) The maximum impact fee per service unit for each service area shall be established by category of capital improvements, and shall be as set forth in Schedule 1 (the calculated fee by meter size) or Schedule 2 where Schedule 1 is not applicable. The maximum impact fee per service unit for each service area for each category of capital improvement shall be computed in the following manner:

- (1) Calculate the total projected costs of capital improvements identified in the capital improvements plan for each category of capital improvements;
 - (2) From such amounts, subtract a credit that reflects other forms of payment for utility capital other than impact fees.
 - (3) Divide the resulting amounts by the total number of service units anticipated in the respective service area, based on the land use assumptions for that service area.
- (b) *Collection Rate.* The impact fee per service unit which is to be paid by each new development shall be established by ordinance of the city council, as amended from time to time, and shall be an amount less than or equal to the maximum impact fee per service unit calculated under subsection (a).

Sec. 86.298. - Assessment of impact fees.

- (a) The assessment of the amount of the impact fee per service unit for each category of capital improvements for a new development shall be made as follows:
- (1) For a new development on land which is unplatted at the time of a building permit, plumbing permit or utility application and for which platting is not required, the assessment shall occur at the time a building permit, plumbing permit, or utility application is submitted, whichever first occurs, and shall be the amount of the maximum impact fee per service unit then in effect in Schedule 1.
 - (2) For a new development on platted property the assessment shall occur at the time of plat recordation, and shall be the maximum amount of the impact fee per service unit in effect for the date of recordation, as described in Schedule 1.
- (b) *No Increase in Fees.* Following assessment under subsection (a), the amount of the assessment per service unit for that development cannot be increased unless the quantity of service units needed for that development increases by the submission of a new application for plat approval or other development application that results in approval of additional service units. In the event of such an increase in service units, a new assessment shall occur using the Schedule 1 rate then in effect for such additional service units..
- (c) *Plat Vacation.* Following the vacating of any plat or submittal of any replat, a new assessment must be made in accordance with subsections (a) and (b).
- (d) *Amending Plat.* Approval of an amending plat under LOCAL GOVERNMENT CODE § 212.016 and the city's Land Development Code will not change the assessment for the affected area except as provided in 86.298(b).

Sec. 86.299. - Computation of service units and collection of impact fees.

- (a) Impact fees shall be computed and collected for platted land at the time the city issues a building permit for land within the city limits or at the time a plumbing permit or utility application is approved for land located outside the City limits.

(b) Impact fees shall be computed and collected for unplatted land at the time the City issues a building permit, plumbing permit or utility application, whichever is applicable pursuant to section 86.299(a).

The computation of the quantity of service units required for a new development will be as follows:

(1) For new development subject to assessment under section 86.298(a)(1), and for new development subject to assessment under section 86.298(a)(2) with plat recordation on or after October 5, 2002, the quantity of service units will be determined by water meter size and type as listed in Schedule 1. The appropriate size and type of the water meter proposed for a new development is to be determined initially by the applicant and is subject to review and approval by the Director, using best water utility industry and engineering practices and standards. The Director may require an applicant to provide building plans, plumbing layouts, flow calculations and other information to support a request for use of a specific size or type of water meter.

(2) For new development subject to assessment under section 86.298(a)(2) with plat recordation on or before October 4, 2002, the quantity of service units will be determined by reference to the service unit computation criteria stated in the attached Schedule 2.

(3) No building permit or utility connection shall be issued if the applicant cannot verify payment to staff of the appropriate impact fee and other applicable fees or if existing facilities do not have actual capacity to provide service to the new connections(s), except for those entities that are exempted from impact fees as are specifically set forth herein.

(4) The impact fee shall attach to the property for which the impact fee was paid and shall not be transferable to other properties or service units.

(c) *Amount to be Collected.* The city shall compute the impact fees for a new development in the following manner:

(1) The amount of each impact fee shall be determined by multiplying the number of service units required for the new development by the impact fee per service unit using the applicable rate in the applicable Schedule. The appropriate size of the water meter proposed for new development is subject to review and approval by the Director, using best water utility industry and engineering practices and standards.

(2) The amount of each impact fee shall be reduced by any allowable offsets or credits for that category of capital improvements, in the manner provided in section 86.300.

(3) The total amount of each impact fee for the new development shall be calculated and attached to the permit or utility application as a condition of approval.

(4) Except as otherwise provided by contracts with political subdivisions, developer's contracts, or wholesale customers, no building permit shall be issued until all impact fees due and owing have been paid to the city.

(d) *Limit on Fees.* The amount of each impact fee for a new development shall not exceed an amount computed by multiplying the assessment amount per service unit under section 86.298 by the number of service units for the development determined under this section.

(e) If a building or plumbing permit or an approved utility application for which an impact fee has been paid has expired, and a new application is thereafter filed, the impact fees shall be computed using the Schedule 1 rate in effect at the time the new permit or application is filed, with credits for previously paid fees being applied against the newly determined amount.

(f) Whenever a property owner proposes to increase the number of service units for a new development, the additional impact fees collected for the new service units shall be determined by using the applicable service unit computation criteria in subsection (b) and the applicable Schedule 1 rate then in effect, and the additional fees for the increase in service units shall be collected at the times prescribed by this section.

(g) For new development to be served by the city wastewater system and by a water system other than the city's, the operator of the water system shall provide written notice to the city of each application for new water service or a change in meter size within ten days of the date the application is received. This requirement is satisfied by the submission of a legible copy of the application or other information that identifies the applicant and indicates the proposed land use and the meter size.

(h) The amount of impact fees to be collected for single purpose domestic (sanitary) or irrigation meters will be determined by water meter size as listed in Schedule 1. The amount of impact fees to be collected for a combined domestic and fire flow meter will be based upon the applicable single purpose displacement-type standard water meter delineated in Schedule 1 excluding the fire flow portion.

(i) The city council may approve an agreement with a property owner for a different time, manner of computation, or payment of impact fees for new development on the owner's property.

Sec. 86.300. - Offsets and credits against impact fees.

(a) The city shall offset or credit the present value of any system facility which has been dedicated or contributed to by a property owner and accepted by the city, including the value of off-site rights-of-way or system capital improvements constructed under an agreement with the city, against the amount of the impact fee due for that category of capital improvement. The offset or credit shall be associated with the plat of the property that is to be served by the system facility.

(b) *Calculation of Offset or Credit.* All offsets or credits against impact fees shall be subject to the following limitations and shall be granted based on this article and additional standards promulgated by the city, which may be adopted as administrative guidelines:

(1) An offset or credit shall not be given for the dedication or construction of site-related facilities.

(2) An offset shall not exceed an amount equal to the eligible costs of the improvement multiplied by a fraction, the numerator of which is the impact fee per service unit due for the

new development computed using the applicable Schedule 1 or Schedule 2, and the denominator of which is the maximum impact fee per service unit for the new development.

(3) The unit costs used to calculate offsets and credits shall not exceed those assumed for the capital improvements included in the impact fees capital improvements plan for the category of facility for which the impact fee is imposed.

(4) An offset or credit for an oversized improvement or facility shall not exceed the incremental increase in the cost of the improvement or facility over the cost of an improvement or facility needed to meet the greater of: (a) the city's minimum standards for water or wastewater facilities or, (b) the needs of the property being developed including, where development is being phased, all property and uses described in the subdivision concept plan for the area being developed.

(5) An offset or credit shall not be given for an oversized facility which is not identified within the capital improvements plan, unless the Director determines that the facility supplies capacity to other new developments, and provisions for offsets or credits are incorporated in an agreement for capital improvements under section 86.308.

(6) An offset or credit shall not be given a) when no impact fees for a new development can be collected under this division, b) for any amount exceeding the total impact fees due for a new development for that category of capital improvements, unless expressly agreed to by the city in writing, or c) for any oversized facility where the city executes an oversize reimbursement agreement with the property owner for the oversize cost.

(7) Offsets or credits for system facilities dedicated to and accepted by the city for a new development prior to the effective date of this division and such developer-borne costs eligible for an offset or credit shall be prorated among the total number of service units within the development.

(8) The city may participate in the costs of a system facility to be dedicated to the city in connection with a new development, including costs that exceed the amount of the impact fees due for the development under Schedule 1 for that category of capital improvements, in accordance with the city's subdivision regulations. The amount of any offset shall not include the amount of the city's participation.

(9) No offset or credit shall exceed the impact fee to be collected from new development as established in Section 86.298.

(c) *Expiration of Offset or Credit.* All Offsets or credits shall expire ten years from the date the offset or credit was created.

(d) *Application of Offset or Credit.* An offset or credit associated with a new development shall be applied to reduce the impact fee at the applicable time for collection of the fee, and thereafter until the number of properties subject to offset or credit are credited.

Sec. 86.301. - Establishment of accounts.

(a) *Interest Bearing Account.* The city finance department shall establish an account to which interest is allocated for each category of capital improvement for which an impact fee is imposed under this division. Each impact fee collected for that category shall be deposited in that account.

(b) *Use of Interest.* Interest earned on an impact fee account is considered funds of the account and shall be used solely for the purposes authorized in section 86.302.

(c) *Disbursement of Funds.* The finance department shall establish adequate financial and accounting controls to ensure that impact fees disbursed from the account are utilized solely for the purposes authorized in section 86.302. Disbursement of funds shall be authorized by the city at such times as are reasonably necessary to carry out the purposes and intent of this division; provided, however, that any fee paid shall be expended within a reasonable period of time, but not to exceed ten years from the date the fee is deposited into the account.

(d) *Records.* The finance department shall maintain and keep financial records for impact fees, which shall show the source and disbursement of all fees collected in or expended from each account. The records of the accounts into which impact fees are deposited shall be open for public inspection and copying during ordinary business hours.

(e) The finance department shall maintain and keep financial records for these accounts which shall show the source and disbursement of all funds placed in or expended from the accounts.

Sec. 86.302. - Use of proceeds of impact fee accounts.

(a) The impact fees collected under this division may be used to finance or to recoup the costs of any capital improvements or facility expansion identified in the capital improvements plan for the applicable category of capital improvements, including but not limited to the construction contract price, surveying and engineering costs, and land acquisition costs (including purchase price, court awards and costs, attorney's fees, and expert witness fees). Impact fees may also be used to pay the principal sum and interest and other finance costs on bonds, notes or other obligations issued by or on behalf of the city to finance capital improvements or facility expansions. Impact fees also may be used to pay fees paid to an independent qualified engineer or financial consultant for preparing or updating the capital improvements plan.

(b) Impact fees collected under this division shall not be used to pay for any of the following expenses:

(1) Construction, acquisition or expansion of capital improvements or assets other than those identified in the capital improvements plan for the applicable category of capital improvements;

(2) Repair, operation, or maintenance of existing or new capital improvements or facility expansions;

(3) Upgrade, expansion or replacement of existing capital improvements to serve existing development in order to meet stricter safety, efficiency, environmental or regulatory standards;

(4) Upgrade, expansion, or replacement of existing capital improvements to provide better service to existing development; provided, however, that impact fees may be used to pay the costs of upgrading, expanding or replacing existing capital improvements in order to meet the need for capital improvements generated by new development; or

(5) Administrative and operating costs of the city.

Sec. 86.303. - Appeals.

(a) The property owner or applicant for new development may appeal the following administrative decisions to the city council:

(1) The applicability of an impact fee to the development;

(2) The amount of the impact fee due;

(3) The availability of, the amount of, or the expiration of an offset or credit;

(4) The application of an offset or credit against an impact fee due;

(5) The amount of the impact fee in proportion to the benefit received by the new development;

(6) The amount of a refund due, if any; or

(7) The applicability of an exception or exemption.

(b) The appellant must file a written notice of appeal with the city clerk within 30 days after the decision being appealed. If the notice of appeal is accompanied by a payment or other security satisfactory to the city attorney in an amount equal to the original determination of the impact fee due, the development application may be processed and approved while the appeal is pending.

(c) The appeal shall be heard by the city council at its next regular meeting that is scheduled at least 15 days from the date the appeal is filed. The appellant may present evidence directly relevant and material to the grounds for the appeal. The burden of proof shall be on the appellant to demonstrate that the decision being appealed was not in accordance with this division or standards or guidelines adopted under or referred to in this division.

(d) The city council, after public hearing, may grant the appeal in whole or in part, or deny the appeal. If the amount of an impact fee is reduced, any portion of the impact fee paid under protest shall be refunded to the appellant.

Sec. 86.304. - Refunds.

(a) *Generally.* Upon written request, any impact fee or portion thereof collected under this division, which has not been expended within ten years from the date of payment, shall be refunded to the record owner of the property for which the impact fee was paid, or to a governmental entity, if the entity paid the fee, together with interest calculated from the date of collection to the date of refund at the statutory rate as set forth in SECTION 302.002 OF THE TEXAS FINANCE CODE, or its successor statute. The application for refund under this section shall be

submitted within 60 days after the expiration of the ten-year period for expenditure of the fee. An impact fee shall be considered expended on a first-in, first out basis.

(b) *First In, First Out Rule.* An impact fee collected under this division shall be considered expended if the total expenditures for capital improvements or facility expansions authorized in section 86.302 within ten years after the date of payment exceeds the total fees collected for such improvements or expansions during that period.

(c) *Refund for Lack of Service.* Upon written request, all or part of an impact fee collected under this division shall be refunded if:

(1) Existing service is available and service is denied;

(2) Service was not available when the fee was collected, and the city has failed to commence construction of facilities to provide service within two years of fee payment; or

(3) Service was not available when the fee was collected and has not subsequently been made available within a reasonable period of time considering the type of capital improvement or facility expansion to be constructed, but in any event this period shall not extend more than five years from the date of fee payment.

(d) *Computation of Refund.* If a refund is due under subsections (a), (b), or (c), the city shall divide the difference between the amount of expenditures and the amount of the fees collected by the total number of service units assumed within the service area for the period to determine the refund due per service unit. The refund shall be calculated by multiplying the refund due per service unit by the number of service units for the development for which the fee was paid, and interest due shall be calculated upon that amount.

Sec. 86.305. - Rebates.

(a) *Replat.* If a tract of land for which an impact fee has been paid is replatted thus resulting in a reduction in the number of service units, and the new impact fee to be collected is less than that paid, and if water meters to serve the area being replatted have not been installed, the city shall rebate the difference.

(b) *Expiration of Permit.* If a building or plumbing permit or an approval of a utility application in a new development expires after an impact fee has been paid, no utility connection for the applicable category of capital improvements has been made under the permit or approval, and a modified or new application has not been filed within six months of the expiration, the city shall, upon written request, rebate the amount of the impact fee to the record owner of the property for which the impact fee was paid. If no application for rebate under this subsection has been filed within this period, no rebate shall become due.

Sec. 86.306. - Updates to plans and revision of fees.

(a) *Periodic Update.* The city shall update the land use assumptions and capital improvements plan at least every five years, commencing from the date of adoption of such plans, and except as provided in Sec. 86.306(c), shall recalculate the impact fees based thereon in accordance with the

procedures set forth in TEXAS LOCAL GOVERNMENT CODE CHAPTER 395, as amended, or in any successor statute.

(b) The city may review its land use assumptions, impact fees, capital improvements plan and other factors such as market conditions more frequently than provided in subsection (a) to determine whether the land use assumptions and capital improvements plan should be updated and the impact fees recalculated accordingly, or whether Schedules 1 or 2 should be changed. Schedules 1 and 2 may be amended without revising land use assumptions and capital improvements plan at any time prior to the update described in subsection (a), as long as the impact fee to be collected under these schedules does not exceed the impact fee per service unit set in the appropriate schedule.

(c) If the city council determines that no change to the land use assumptions, capital improvements plan or impact fee is needed at the time of an update under subsection (a), the council may dispense with the update in accordance with LOCAL GOVERNMENT CODE § 395.0575 as amended.

(d) The city may amend the land use equivalency table by resolution at any time prior to the update provided for in subsection (a); provided that the number of service units associated with a particular land use is not increased.

Sec. 86.307. - Functions of advisory committee.

(a) The advisory committee shall perform the following functions:

- (1) Advise and assist the city in adopting land use assumptions;
- (2) Review the capital improvements plan and file written comments on impact fees;
- (3) Monitor and evaluate implementation of the capital improvements plan;
- (4) Advise the city of the need to update or revise the land use assumptions, capital improvements plan and impact fees; and
- (5) File a semiannual report evaluating the progress of the capital improvements plan and identifying perceived inequities in implementing the plans or administering the impact fees.

(b) The city shall make available to the advisory committee any professional reports prepared in the development or implementation of the capital improvements plan.

(c) The city council shall adopt procedural rules for the advisory committee to follow in carrying out its duties.

Sec. 86.308. - Agreements for capital improvements.

(a) The property owner for a new development may construct or finance a capital improvement or facility expansion designated in the capital improvements plan, if required or authorized by the city council, by entering into a facility agreement with the city prior to the issuance of any building permit for the development. The facility agreement shall be on a form approved by the city, and shall identify the estimated cost of the improvement or expansion, the schedule for

initiation and completion of the improvement or expansion, a requirement that the improvement be designed and completed to city standards, and such other terms and conditions as deemed necessary by the city. The facility agreement shall provide for the method to be used to determine the amount of the offset or credit to be given against impact fees due for the development consistent with the methodology provided in this ordinance.

(b) The city and the property owner may agree that the costs incurred or funds advanced will be 1) offset or credited against the impact fees otherwise due from the new development for that development's assigned share of capacity of the system improvement, or 2) if such advanced funds are to pay for City-designated oversizing, such oversizing reimbursement to the developer may be made from impact fees or from other funding sources. In the event the city elects to reimburse an owner for the dedication, construction or financing of a capital improvement or facility expansion designated in the capital improvements plan, the terms of reimbursement shall be incorporated in the agreement required by subsection (a). Reimbursement agreements shall further be based on the availability of city funds from all sources including current and projected impact fee fund accounts.

Sec. 86.309. - Use of other financing mechanisms.

(a) The city may finance capital improvements or facility expansions designated in the capital improvements plan through the issuance of bonds, through the formation of public utility districts or other assessment districts, or through any other authorized mechanism, in such manner and subject to such limitations as may be provided by law, in addition to the use of impact fees.

(b) Except as herein otherwise provided, the assessment and collection of an impact fee shall be additional and supplemental to, and not in substitution of, any other tax, fee, charge or assessment which is lawfully imposed on and due against the property.

(c) The city council may decide that the city shall waive all or a part of impact fees due for a new development under duly adopted criteria.

Sec. 86.310. - Relief procedures.

(a) Any person who has paid an impact fee or a property owner for a new development for which an impact fee has been paid may submit a written petition for the city council to determine whether any duty of the city under this division has been performed in a timely manner. The petition shall be submitted to the city clerk, and shall state the nature of the duty. The city council will hear the petition at its next meeting that is scheduled at least seven days from the date the petition is filed. If the city council determines that the duty is required under the division and is late in being performed, the council shall direct that the duty be promptly commenced and continued until completion. This subsection is not applicable to matters which may be appealed under section 86.303.

(b) The city council may grant a variance in whole or in part from any requirement of this division, upon written request by a property owner, following a public hearing. The council will grant a variance only upon finding that a strict application of a requirement would, when regarded as a whole, result in confiscation of the property owner's property.

(c) If the city council grants a variance to the amount of the impact fee due for a new development under this section, the council shall transfer the amount of the reduction in the impact fee to the proper impact fee account from city funds other than its water or wastewater utilities.

Subdivision 2. – Land Use Assumptions

Sec. 86.311. Land use assumptions.

- (a) The amended system-wide land use assumptions for the City of San Marcos, on which the capital improvements plan for water and wastewater facilities are based, are identified in Section 3 of the Impact Fee Report which is attached as Exhibit A and incorporated herein for all purposes are adopted.
- (b) The system-wide land use assumptions may be amended from time to time, under the procedures in section 86.306.

Subdivision 3. Water Facilities Impact Fees

Sec. 86.312. Impact fee water service area.

- (a) An amended impact fee water service area is established, consisting of the land within the city limits and within portions of the city's extraterritorial jurisdiction depicted in Section 2 of the Impact Fee Report attached hereto as Exhibit A of this ordinance and is adopted and incorporated herein.
- (b) The boundaries of the impact fee water service area may be amended from time to time, or new water service areas may be delineated, under the procedures in section 86.306.

Sec. 86.313. Water improvements plan.

- (a) The amended city water improvements plan included in Table 5 of the Impact Fee Report attached as Exhibit A is adopted and incorporated herein.
- (b) The water improvements plan may be amended from time to time under the procedures in section 86.306.

Sec. 86.314. Water facilities impact fee

- (a) The maximum impact fee per service unit for water facilities included in The Impact Fee Report, Table 8 is adopted and included by reference in this division.

- (b) The amount of the impact fee per service unit for water facilities stated in Schedules 1 and 2 is adopted and included by reference in this division.
- (c) The impact fees per service unit for water facilities may be amended from time to time under the procedures in section 86.306.

Subdivision 4. Wastewater Facilities Impact Fees.

Sec. 86.315. Impact fee wastewater service area.

- (a) An amended impact fee wastewater service area is established, consisting of the land within the city limits and within portions of the city's extraterritorial jurisdiction depicted in Section 2 of the Impact Fee Report attached as Exhibit A and included by reference in this division.
- (b) The boundaries of the impact fee wastewater service area may be amended from time to time, or new water service areas may be delineated, under the procedures in section 86.306.

Sec. 86.316. Wastewater improvements plan.

- (a) The amended city wastewater improvements plan included in Table 6 of the Impact Fee Report attached as Exhibit A is adopted and included by reference in this division.
- (b) The wastewater improvements plan may be amended from time to time under the procedures in section 86.306.

Sec. 86.317. Wastewater facilities impact fee.

- (a) The maximum impact fee per service unit for wastewater facilities included in The Impact Fee Report, Table 8 is adopted and included by reference in this division.
- (b) The amount of the impact fee per service unit for wastewater facilities stated in Schedules 1 and 2 is adopted and included by reference in this division.
- (c) The impact fees per service unit for wastewater facilities may be amended from time to time under the procedures in section 86.306.

Sec. 86.318. Impact fee schedules.

- (a) The maximum impact fees per service unit for water and wastewater facilities set out in Table 8 of the Impact Fee Report are adopted and included by reference in this division.
- (b) Schedules 1 and 2 setting forth the impact fees per service unit to be collected from new development for water and wastewater facilities, are adopted and are included by reference in this division.

Secs. 86.319—86.370. Reserved.

SECTION 2. Chapter 7 – Public Facilities Standards, Article 7 – Impact Fees, and Chapter 8 - Definitions, Article 3 – Impact Fee Definitions, are hereby deleted from the Land Development Code in their entirety.

SECTION 3. This ordinance is cumulative of all other ordinances of the City and this ordinance shall not operate to repeal or affect any of such other ordinances except as to provisions that are in conflict with the provisions of this ordinance in which event the conflicting provisions are hereby superseded.

SECTION 4. Any person violating any provision of this ordinance commits a misdemeanor and is subject to the penalty provided in SECTION 1.015 OF THE SAN MARCOS CITY CODE upon conviction.

SECTION 5. If any word, phrase, clause, sentence, or paragraph of this ordinance is held to be unconstitutional or invalid by a court of competent jurisdiction, the other provisions of this ordinance will continue in force if they can be given effect without the invalid portion.

SECTION 6. This Ordinance will take effect ten days after the date of its final passage and the City Clerk will publish notice of its adoption in a newspaper of general circulation in the City.

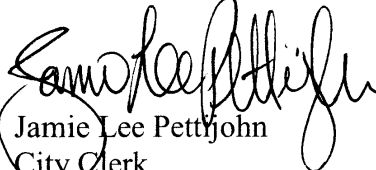
PASSED AND APPROVED on first reading on December 3, 2013.

PASSED, APPROVED AND ADOPTED on second reading on December 17, 2013.



Daniel Guerrero
Mayor

Attest:

Approved:



Jamie Lee Pettijohn
City Clerk



Michael J. Cosentino
City Attorney

2013 DEVELOPMENT OF WATER AND WASTEWATER IMPACT FEES FOR THE CITY OF SAN MARCOS

Prepared for:

City of San Marcos
630 E. Hopkins St.
San Marcos, Texas 78666-6314

Prepared by:

Capital Improvements Advisory Committee
City of San Marcos

- and -

HDR Engineering, Inc.
4401 West Gate Blvd., Suite 400
Austin, Texas 78745

October 2013

**2013 DEVELOPMENT OF
WATER AND WASTEWATER IMPACT FEES
FOR THE CITY OF SAN MARCOS**

Table of Contents

<u>Section</u>		<u>Page</u>
1.0	BACKGROUND AND PROCESSES	1
2.0	UTILITY SERVICE AND FEE APPLICATION AREA	3
3.0	LAND USE ASSUMPTIONS	5
4.0	CURRENT AND PROJECTED UTILITY DEMAND AND SUPPLY	6
5.0	IDENTIFIED MAJOR CAPITAL IMPROVEMENT NEEDS AND COSTS	10
6.0	CONSIDERATION OF OTHER METHODS OF CAPITAL PAYMENT	13
7.0	ALTERNATIVE MAXIMUM IMPACT FEE CALCULATIONS	15
8.0	COMPARABLES	16
9.0	ADVISORY COMMITTEE ACTIONS AND RECOMMENDATIONS	17

2013 DEVELOPMENT OF WATER AND WASTEWATER IMPACT FEES FOR THE CITY OF SAN MARCOS

1.0 BACKGROUND AND PROCESS

HDR Engineering was retained by the City of San Marcos (City) in February 2013 to assist the City and its appointed Capital Improvements Advisory Committee (CIAC) in the development and consideration of an update of the City's water and wastewater impact fees. The appointed CIAC assists the City Council in overseeing the development of land use and capital improvements information and the resulting calculation of maximum impact fee amounts for Council consideration.

Because this is an update effort, the City is following the one-step Public Hearing process outlined in Chapter 395 of the Texas Local Government Code where the CIAC considers the land use, capital improvements information and maximum impact fee calculation all at once and then reports its findings and recommendations to the City Council for one Public Hearing on the updated information.

Consistent with State law, the methodology that was used determines the maximum fee amounts through consideration of either: (a) a calculated credit for other methods of payments for utility capital by a new customer, such as through utility rates or taxes, or (b) a reduction of maximum fee amount equal to 50 percent of the unit capital cost of providing new service. By maximum amounts, this means that the determined fee amounts were calculated as the highest that can be lawfully levied by the City, given the prospective capital improvements plan, the cost of existing and new utility capacity, and consideration of a credit to new customers for net capital contributions made through rate payments. The City Council can decide to enact fees less than the maximum amounts shown in this report.

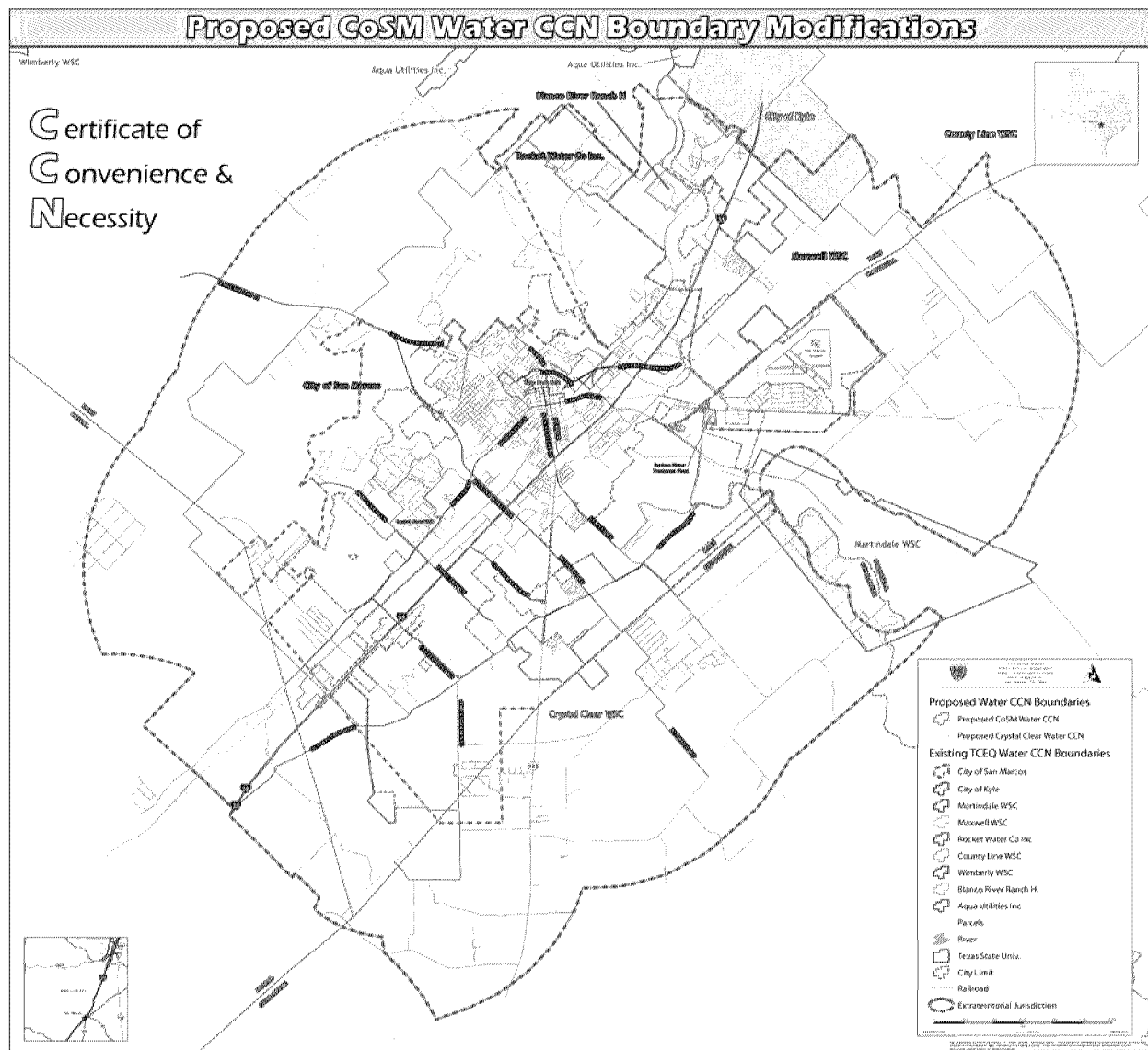
As detailed later in this report, the overall maximum calculated water and wastewater fees were developed as a sum of component pieces. For instance, the overall water maximum fee is comprised of separate amounts for water supply, treatment, pumping, storage, and transmission. The overall wastewater maximum fee is similarly comprised of wastewater treatment, pumping, and interceptor components. This will facilitate the consideration of offsets or credits from the applicable fee if a developer builds and dedicates eligible facilities to the City or the City provides wholesale service to a neighboring utility and wishes to charge certain portions of the fee to be collected by the wholesale customer and then passed to the City.

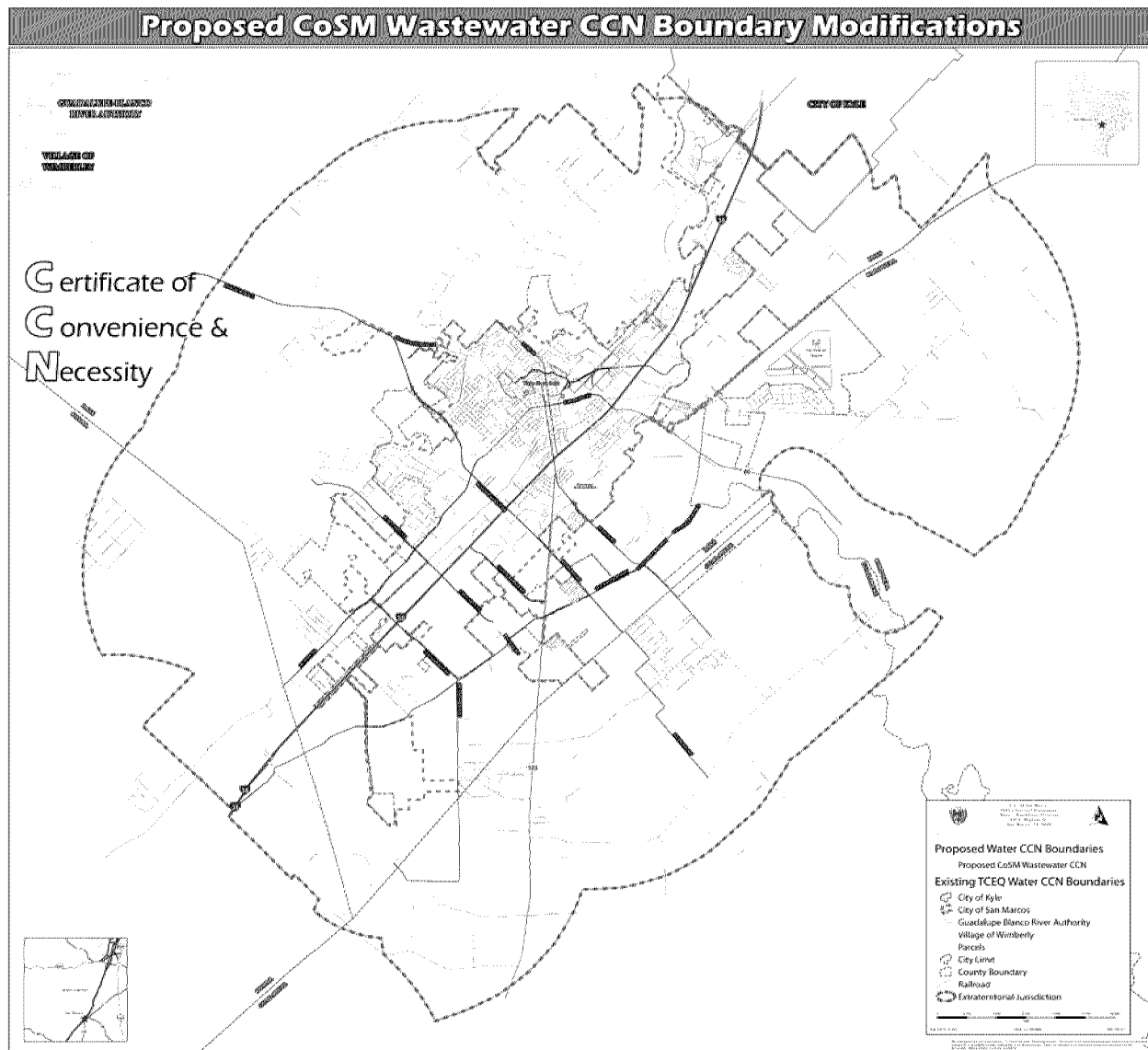
The maximum fee amounts do not include any capital costs for local (neighborhood) water distribution or wastewater collection systems as these facilities are, by City policy, provided by developers at their own expense, or if funded by the City, are typically used to provide service to existing development. In either case, these local facilities would not be applicable for an impact fee charge. Nor does the capital improvements plan include future project costs related to rehabilitation or regulatory improvements that provide for existing customers.

Service area, land uses, service demands, existing facility capacities, design factor assumptions, prospective growth-related CIP, and facility costing were developed by City Staff with assistance by HDR. HDR then combined these elements into the format needed for Committee consideration and for use in the pending maximum impact fee calculations.

2.0 UTILITY SERVICE AND FEE APPLICATION AREA

The City of San Marcos' proposed state-certificated water and wastewater service areas, shown below and on the next page, are the areas in which the impact fees is intended to be charged. These fee application service areas would be the locations in which San Marcos may levy the impact fees, in-part or in-full, *if City service is provided*. If the City does not provide service, in full or in-part, then the impact fees would not apply.





3.0 LAND USE ASSUMPTIONS

Table 1 provides an estimate of the current and future land use patterns of the potential service area. The overall acreage shown in Table 1 is reflective of certificated water and wastewater service areas. Because of other utilities which provide water service in areas adjacent to the City of San Marcos, the City's certificated water service area is smaller than that for wastewater.

The certificated water service area encompasses about 58,984 acres with about 47% of that currently developed to some level of intensity. The certificated wastewater service area encompasses about 91,225 acres with about 31% of that currently developed to some level of intensity.

Over time as the City grows, developed land areas will increase both in and outside the City and become a higher percentage of overall land uses. By the year 2022, about 58% of the water service area and 39% of the wastewater service area are expected to be developed. Representative water and wastewater service demands per acre are also shown and used in the planning process.

TABLE 1
CURRENT AND PROJECTED LAND USE
CITY OF SAN MARCOS

ITEM	Current		2022	
	Acre ^s *	%	Acre ^s *	%
Water Service Area				
Residential	22,422	38.0%	27,803	47.1%
Non-Residential	5,381	9.1%	6,673	11.3%
Undeveloped/Open Space/Unserved	31,181	52.9%	24,508	41.6%
Total Land Use Acreage	58,984	100.0%	58,984	100.0%
Wastewater Service Area				
Residential	22,422	24.6%	29,291	32.1%
Non-Residential	5,381	5.9%	6,673	7.3%
Undeveloped/Open Space/Unserved	63,422	69.5%	55,261	60.6%
Total Land Use Acreage	91,225	100.0%	91,225	100.0%

* Acres reflect type of committed land use. May only be partially developed,

Also assumes

Utility gallons per acre/day

Water 360 Residential
 650 Non-Residential

gallons per acre per day

Wastewater 165 Residential
 265 Non-Residential

4.0 CURRENT/PROJECTED UTILITY DEMAND VERSUS EXISTING UTILITY CAPACITY

Table 2 indicates the number of water and wastewater utility connections by water meter size and what is termed a standard Living Unit Equivalent (LUE) conversion factor for meters of varying sizes. The standard meter size for a single family residential house in San Marcos is a 5/8" water meter, which is considered to be one LUE.

Based on American Water Works Association standards, the equivalent number of Living Unit Equivalents (LUEs) can be determined for water meters of larger size. In this manner, meters of larger size (i.e. larger potential service demands) can be couched in terms of the equivalent demand of a number of typical single family homes. For this reason, the LUE concept is a useful tool for being able to apply a base fee amount to service requests of varying meter sizes.

TABLE 2
LIVING UNIT EQUIVALENT UNIT CONVERSION FACTORS
CITY OF SAN MARCOS

Meter Size	Living Units Equivalent (LUEs) per Meter (a)	Number of Meters in 2013 (b)	Number of LUEs in 2013
WATER			
5/8"	1.00	9,159	9,159
3/4"	1.5	230	345
1"	2.5	384	960
1.5"	5.0	161	805
2"	8.0	343	2,744
3"	16.0	63	1,008
4"	25.0	38	950
6"	50.0	19	950
8"	80.0	21	1,680
10"	115.0	1	115
30"	5,000.0	1	-
Total Water		10,420	18,716
WASTEWATER			
5/8"	1.00	8,150	8,150
3/4"	1.5	196	294
1"	2.5	297	743
1.5"	5.0	139	695
2"	8.0	298	2,384
3"	16.0	58	928
4"	25.0	35	875
6"	50.0	18	900
8"	80.0	21	1,680
10"	115.0	1	115
Total Wastewater		9,213	16,764

(a) Derived from AWWA C700-C703 standards for continuous rated flow performance scaled to 5/8" meter.

(b) Source: City of San Marcos, June 2013.

As was previously mentioned, the overall maximum fee calculations are the sum of various component pieces. So, the utility demands and capital improvements information, shown in Tables 3 and 4, are developed in a similar component fashion. Forecasts are not made in this fee study for local neighborhood water distribution or wastewater collection lines, as these “subdivision-type” improvements are typically funded by the developer rather than the City.

Tables 3 and 4 summarize the City’s current and projected water and wastewater service demands and existing supply (service) capability by type of facility in both million gallons daily and equivalent LUE terms. The projected growth of the water utility system and service demand reflect an average of 550 new LUEs per year or 5,500 LUEs over the 10-year planning period. The projected growth of the wastewater utility system and service demand reflect an average of 440 new LUEs per year or 4,400 LUEs over the 10-year planning period.

Various “design flow” assumptions for the various types of facilities are shown in the footnotes to the tables and are reflective of what level of service demand each type of facility is intended to meet (i.e. peak day demand, peak hour demand, TCEQ requirements, wet-weather flows, etc.).

Current and 10-year future service demands are compared to the *existing* service capacity of the various utility components. In some cases such as wastewater interceptor lines, the projected 10-year demand exceeds existing utility capacity, clearly indicating that additional capacity is needed within the planning period.

In several other instances, there is excess capacity available system wide, but not necessarily in the areas where the new service demands are occurring. So, new capital improvements are needed to address that growth. In the case of water supply and treatment, groundwater permit requirements are necessitating the construction of facilities needed late in the planning period to implement the Hays/Caldwell Public Utility Authority groundwater supply project.

TABLE 3
EST. WATER SERVICE DEMAND & AVAILABLE CAPACITY
CITY OF SAN MARCOS

Facility Type	2013	2022
Supply		
Existing 2013 Capacity (mgd)	12.2	12.2
Est. Service Demand	7.2	9.3
Excess (Deficiency)	5.0	2.9
Existing 2013 Capacity (LUEs) *	31,713	31,713
Est. Service Demand	18,716	24,216
Excess (Deficiency)	12,997	7,497
Treatment		
Existing 2013 Capacity (mgd)	26.5	26.5
Est. Service Demand	11.5	14.9
Excess (Deficiency)	15.0	11.6
Existing 2013 Capacity (LUEs) *	43,053	43,053
Est. Service Demand	18,716	24,216
Excess (Deficiency)	24,337	18,837
Pumping		
Existing 2013 Capacity (mgd)	20.5	20.5
Est. Service Demand	11.5	14.9
Excess (Deficiency)	9.0	5.6
Existing 2013 Capacity (LUEs) *	33,268	33,268
Est. Service Demand	18,716	24,216
Excess (Deficiency)	14,552	9,052
Ground Storage		
Existing 2013 Capacity (mg)	5.4	5.4
Est. Service Demand	3.7	4.8
Excess (Deficiency)	1.7	0.6
Existing 2013 Capacity (LUEs) *	27,013	27,013
Est. Service Demand	18,716	24,216
Excess (Deficiency)	8,297	2,797
Elevated Storage		
Existing 2013 Capacity (mg)	3.0	3.0
Est. Service Demand	1.9	2.4
Excess (Deficiency)	1.1	0.6
Existing 2013 Capacity (LUEs) *	30,000	30,000
Est. Service Demand	18,716	24,216
Excess (Deficiency)	11,284	5,784
Transmission		
Existing 2013 Capacity (mgd)	69.0	69.0
Est. Service Demand	17.3	22.4
Excess (Deficiency)	51.7	46.6
Existing 2013 Capacity (LUEs) *	74,734	74,734
Est. Service Demand	18,716	24,216
Excess (Deficiency)	56,018	50,518

* Assumes LUE conversion factors of :

385	gpd/LUE for water supply
616	gpd/LUE for treatment
616	gpm/LUE for pumping
200	gals/LUE for ground storage
100	gals/LUE for elevated storage
923	gpd/LUE for transmission

TABLE 4
EST. WASTEWATER SERVICE DEMAND & AVAILABLE CAPACITY
CITY OF SAN MARCOS

Facility Type	2013	2022
Treatment		
Existing 2013 Capacity (mgd)	9.0	9.0
Est. Service Demand	5.0	6.3
Excess (Deficiency)	4.0	2.7
Existing 2013 Capacity (LUEs) *	30,174	30,174
Est. Service Demand	16,764	21,164
Excess (Deficiency)	13,411	9,011
Pumping		
Existing 2013 Capacity (mgd)	29.6	29.6
Est. Service Demand**	22.5	28.4
Excess (Deficiency)	7.1	1.2
Existing 2013 Capacity (LUEs) *	22,065	22,065
Est. Service Demand	16,764	21,164
Excess (Deficiency)	5,301	901
Interceptors		
Existing 2013 Capacity (mgd)	23.8	23.8
Est. Service Demand	22.5	28.4
Excess (Deficiency)	1.3	(4.6)
Existing 2013 Capacity (LUEs) *	17,732	17,732
Est. Service Demand	16,764	21,164
Excess (Deficiency)	969	(3,431)

* Assumes LUE conversion factors of :
298 gpd/LUE for wastewater treatment
1,342 gpd/LUE for wastewater pumping
1,342 gpd/LUE for interceptors
**Assumes 100% of existing ww service demand pumped

5.0 IDENTIFIED MAJOR CAPITAL IMPROVEMENT PLAN AND COSTS

Due to very limited excess capacity or additional capacity needed in certain locations by the end of the 10-year planning horizon, the City has identified a series of needed capital improvements for almost every facility type, except wastewater treatment. Incremental capacity improvements to water supply, treatment, pumping, storage and transmission in the next ten years are expected to total about \$64 million. Capacity additions for wastewater pumping and interceptors are expected to total almost \$20 million over the next ten years.

Specific projects that accomplish these service capacity goals are identified in Table 5 and 6 for water and wastewater, respectively, along with their cost, capacity, unit cost, and allocation of existing and projected demand to these facilities. The projects listed as future facilities comprise the 10-year growth-related CIP that will underlie the ultimate impact fee calculation.

Chapter 395 recognizes that a new unit of growth will likely connect to *existing* excess capacity, but at the same time, also induce the need for new *future* facilities that add capacity. To acknowledge, this weighted cost of capital is calculated using the relative number of LUEs assigned to existing versus new capacity to calculate a weighted capital cost of service for a new (LUE) unit of growth.

As indicated at the bottom of Tables 5 & 6, the total unit capital cost is estimated at \$2,710 per LUE for water and \$3,734 per LUE for wastewater, totaling \$6,444 per LUE for combined water and wastewater service.

It should be emphasized that the amounts shown in Tables 5 and 6 reflect the weighted unit cost of capital, but these are not the calculated maximum impact fees. In the next report Section 6.0, this weighted unit cost of capital is then adjusted to maximum impact fee amounts based on consideration of the different ways (rates versus fees) that a new customer will pay for these capital costs.

TABLE 5
WATER CAPITAL IMPROVEMENTS PLAN INVENTORY AND COSTING
CITY OF SAN MARCOS

Facility Name	Construction	Capacity		Cost	Facility Capacity Allocations (LUEs)				Total Capacity
	Cost	Total	LUEs	per LUE	Existing Customers	Growth Use in Next 10 Years	Excess Capacity after 10 Years		
WATER SUPPLY									
EXISTING FACILITIES		mgd							
Existing Supply	\$ 17,529,402	12.2	31,713		18,716	4,800	8,197	31,713	
Subtotal Existing Facilities	\$ 17,529,402	12.2	31,713	\$ 553	18,716	4,800	8,197	31,713	
FUTURE FACILITIES									
HCPUA	\$ 33,219,820	5.4	14,037			700	13,337	14,037	
Subtotal Future Facilities	\$ 33,219,820	5.4	14,037	\$ 2,367	-	700	13,337	14,037	
TOTAL WATER SUPPLY	\$ 50,749,222	17.6	45,750		18,716	5,500	21,534	45,750	
AVERAGE CAPITAL COST PER NEW LUE = \$				784					
WATER TREATMENT									
EXISTING FACILITIES		mgd							
Existing WTPs	\$ 21,368,541	26.5	43,053		18,716	4,800	19,537	43,053	
Subtotal Existing Facilities	\$ 21,368,541	26.5	43,053	\$ 496	18,716	4,800	19,537	43,053	
FUTURE FACILITIES									
HCPUA	\$ 2,833,281	1.8	2,924			700	2,224	2,924	
Subtotal Future Facilities	\$ 2,833,281	1.8	2,924	\$ 969	-	700	2,224	2,924	
TOTAL WATER TREATMENT	\$ 24,201,822	28.3	45,978		18,716	5,500	21,762	45,978	
AVERAGE CAPITAL COST PER NEW LUE = \$				556					
WATER PUMPING									
EXISTING FACILITIES		mgd							
Existing Booster Pump Stations	\$ 3,351,399	20.5	33,268		18,716	550		19,266	
Subtotal Existing Facilities	\$ 3,351,399	20.5	33,268	\$ 101	18,716	550	14,002	33,268	
FUTURE FACILITIES									
McCarty PS Improvements	\$ 1,000,000	2.9	4,679			2,475			
Soyars PS	\$ 2,000,000	1.6	2,573			2,475	98	2,573	
Subtotal Future Facilities	\$ 3,000,000	4.5	7,252	\$ 414	-	4,950	98	2,573	
TOTAL WATER PUMPING	\$ 6,351,399	24.9	40,520		18,716	5,500	16,304	40,520	
AVERAGE CAPITAL COST PER NEW LUE = \$				382					
GROUND STORAGE									
EXISTING FACILITIES		mg							
Existing GS Tanks	\$ 9,240,000	5.4	27,013		18,716	3,297	5,000	27,013	
Subtotal Existing Facilities	\$ 9,240,000	5.4	27,013	\$ 342	18,716	3,297	5,000	27,013	
FUTURE FACILITIES									
New Tank	\$ 3,125,000	1.0	5,000			2,203			
Subtotal Future Facilities	\$ 3,125,000	1.0	5,000	\$ 625	-	2,203	2,797	5,000	
TOTAL GROUND STORAGE	\$ 12,365,000	6.4	32,013		18,716	5,500	7,797	32,013	
AVERAGE CAPITAL COST PER NEW LUE = \$				455					
ELEVATED STORAGE									
EXISTING FACILITIES		mg							
Existing ES Tanks	\$ 4,852,000	3.0	30,000		18,716	4,400	6,884	30,000	
Subtotal Existing Facilities	\$ 4,852,000	3.0	30,000	\$ 162	18,716	4,400	6,884	30,000	
FUTURE FACILITIES									
Trunk Hill Tank	\$ 1,790,000	0.5	5,000			550			
Northside Elevated Tank	\$ 1,500,000	0.5	5,000			550			
Subtotal Future Facilities	\$ 3,290,000	1.000	10,000	\$ 329	-	1,100	8,900	10,000	
TOTAL ELEVATED STORAGE	\$ 8,142,000	4.000	40,000		18,716	5,500	15,784	40,000	
AVERAGE CAPITAL COST PER NEW LUE = \$				195					
TRANSMISSION									
EXISTING FACILITIES		mgd							
Existing Transmission	\$ 24,893,977	69.0	74,734		18,716	4,400	51,618	74,734	
Subtotal Existing Facilities	\$ 24,893,977	69.0	74,734	\$ 333	18,716	4,400	51,618	74,734	
FUTURE FACILITIES									
Southeast Waterline Improvements	\$ 6,530,000								
Northeast Waterline Improvements	\$ 2,300,000								
West Waterline Improvements	\$ 5,735,000								
Water Main Oversizing	\$ 3,000,000								
Water Master Plan	\$ 1,000,000								
Subtotal Future Facilities	\$ 18,565,000	48.5	52,530	\$ 353	-	1,100	51,430	52,530	
TOTAL TRANSMISSION	\$ 43,458,977	117.5	127,264		18,716	5,500	103,048	127,264	
AVERAGE CAPITAL COST PER NEW LUE = \$				337					
WATER TOTAL									
	\$ 145,268,420								
AVERAGE CAPITAL COST PER NEW LUE = \$				2,710					

TABLE 6
WASTEWATER CIP INVENTORY AND COSTING
CITY OF SAN MARCOS

Facility Name	Construction	Capacity		Construction	Facility Capacity Allocations (LUEs)			Total Capacity
	Cost	Total	LUEs	Cost per LUE	Existing Customers	Growth Use in Next 10 Years	Excess Capacity after 10 Years	
TREATMENT								
EXISTING FACILITIES								
Existing WWTPs	\$ 31,964,891	mgd 9.0	30,174		16,764	4,400	9,011	30,174
Subtotal Existing Facilities	\$ 31,964,891	9.0	30,174	\$ 1,059	16,764	4,400	9,011	30,174
FUTURE FACILITIES								
n.a.			-			-	-	-
Subtotal Future Facilities	\$ -	-	-	\$ -		-	-	-
TOTAL WASTEWATER TREATMENT	\$ 31,964,891	9.0	30,174		16,764	4,400	9,011	30,174
AVERAGE CAPITAL COST PER NEW LUE = \$				1,059				
PUMPING								
EXISTING FACILITIES								
Existing Lift Stations	\$ 13,038,933	mgd 29.6	22,065		16,764	3,520	1,781	
Subtotal Existing Facilities	\$ 13,038,933	29.6	22,065	\$ 591	16,764	3,520	1,781	22,065
FUTURE FACILITIES								
Hwy 21 Lift Station	\$ 1,000,000	0.5	373					
Wonderworld Craddock LS	\$ 180,000	0.2	139					
River Road Lift Station - LS 14	\$ 2,000,000	2.4	1,776					
Subtotal Future Facilities	\$ 3,180,000	3.1	2,288	\$ 1,390		880	1,408	2,288
TOTAL PUMPING	\$ 16,218,933	32.7	24,353		16,764	4,400	3,189	24,353
AVERAGE CAPITAL COST PER NEW LUE = \$				751				
INTERCEPTORS								
EXISTING FACILITIES								
Existing Interceptors	\$ 20,403,844	mgd 23.8	17,732		16,764	969	-	17,732
Subtotal Existing Facilities	\$ 20,403,844	23.8	17,732	\$ 1,151	16,764	969	-	17,732
FUTURE FACILITIES								
Southeast Interceptor Improvements	1,600,000							
Northeast Interceptor Improvements	7,700,000							
West Interceptor Improvements	6,700,000							
Wastewater Master Plan	\$ 600,000							
Subtotal Future Facilities	\$ 16,600,000	10.4	7,748	\$ 2,142	-	3,431	4,317	7,748
TOTAL INTERCEPTORS	\$ 37,003,844	34.2	25,481		16,764	4,400	4,317	25,481
AVERAGE CAPITAL COST PER NEW LUE = \$				1,924				
WASTEWATER TOTAL								
	\$ 85,187,668							
AVERAGE CAPITAL COST PER NEW LUE = \$				3,734				

6.0 CONSIDERATION OF OTHER METHODS OF CAPITAL PAYMENT

For Utilities that charge an impact fee for new or expended service, the new customer generally pays for capital in two ways:

1. the up-front impact fee that gains the new customer an “equity buy-in” to the system, and
2. monthly utility rate payments, where a portion of rate payments are for debt service.

The 77th Texas Legislature amended Chapter 395 of the Local Government Code to require that either: (1) consideration of a calculated credit for rate payments be reflected in the fee amount, or (2) a credit equal to 50 percent of the total projected cost of the capital improvements plan be given in calculating the maximum fee amount.

Table 7 characterizes the present value of existing and prospective utility capital costs per LUE that is projected to be supported by the utility rates and attributable to the new customers. This analysis considers the full term of existing or future bonds and is calculated using the total number of LUEs (existing and new) that would be present and paying rates in the year 2017, mid-way through the 10-year planning period.

For water and wastewater combined, the “rate credit” that is an offset to the full capital cost of service, shown in Tables 5 and 6, is calculated at \$670 per LUE.

TABLE 7
EXISTING OR ANTICIPATED DEBT TO BE PAID THROUGH UTILITY RATES
CITY OF SAN MARCOS

Facility Type	Net Present Value of Debt Payments In Rates	Mid-point 2017 LUEs	Debt Payments per LUE
WATER UTILITY			
Supply			
Existing Debt	\$ 235,509	21,466	\$ 11
Series 2013-2022	\$ 2,524,079	21,466	\$ 118
Subtotal Water Supply	\$ 2,759,588	21,466	\$ 129
Treatment			
Existing Debt	\$ 483,900	21,466	\$ 23
Series 2013-2022	\$ 215,276	21,466	\$ 10
Subtotal Water Treatment	\$ 699,176	21,466	\$ 33
Pumping			
Existing Debt	\$ 228,299	21,466	\$ 11
Series 2013-2022	\$ 227,943	21,466	\$ 11
Subtotal Pumping	\$ 456,243	21,466	\$ 21
Ground Storage			
Existing Debt	\$ 132,682	21,466	\$ 6
Series 2013-2022	\$ 237,441	21,466	\$ 11
Subtotal Water Storage	\$ 370,123	21,466	\$ 17
Elevated Storage			
Existing Debt	\$ 350,772	21,466	\$ 16
Series 2013-2022	\$ 249,978	21,466	\$ 12
Subtotal Water Storage	\$ 600,750	21,466	\$ 28
Transmission			
Existing Debt	\$ 3,000,521	21,466	\$ 140
Series 2013-2022	\$ 1,410,589	21,466	\$ 66
Subtotal Transmission Lines	\$ 4,411,110	21,466	\$ 205
Total Water	*		\$ 433
WASTEWATER UTILITY			
Treatment			
Existing Debt	\$ 1,489,404	18,964	\$ 79
Series 2013-2022	\$ -	18,964	\$ -
Subtotal WWTP	\$ 1,489,404	18,964	\$ 79
Pumping			
Existing Debt	\$ 168,449	18,964	\$ 9
Series 2013-2022	\$ 82,727	18,964	\$ 4
Subtotal WWTP	\$ 251,177	18,964	\$ 13
Interceptors			
Existing Debt	\$ 2,312,908	18,964	\$ 122
Series 2013-2022	\$ 431,846	18,964	\$ 23
Subtotal Interceptors	\$ 2,744,753	18,964	\$ 145
Total Wastewater			\$ 237
Total Water and Wastewater			\$ 670

7.0 ALTERNATIVE MAXIMUM IMPACT FEE CALCULATIONS

Table 8 summarizes the full unit capital costs of providing new service, the two alternative credit calculations for new customers, and the maximum fee calculation for each of the rate credit options.

In this update, the maximum water impact fee is calculated at \$2,285 per LUE and the maximum wastewater impact fee is calculated at \$3,506 per LUE for a maximum combined water and wastewater impact fee of \$5,791.

Compared to current fee amounts, the updated maximum water fee is \$181 less per LUE, but the maximum wastewater fee is \$1,321 per LUE higher, resulting in the newly updated maximum fee being \$1,140 per LUE higher than current fee levels.

TABLE 8
DERIVATION OF ALTERNATIVE MAXIMUM WATER AND WASTEWATER IMPACT FEE AMOUNTS
CITY OF SAN MARCOS

ITEM	Weighted Capital Cost of New Service per LUE	Optional Adjustments		Optional Max. Fee Amounts		Highest of Option A or B
		- Option A -	- Option B -	- Option A -	- Option B -	
		Rate Credit	Less 50% Capital Cost Adjustment			
WATER						
Supply	\$ 784	\$ 129	\$ 392	\$ 655	\$ 392	
Treatment	\$ 556	\$ 33	\$ 278	\$ 524	\$ 278	
Pumping	\$ 382	\$ 21	\$ 191	\$ 361	\$ 191	
Ground Storage	\$ 455	\$ 17	\$ 228	\$ 438	\$ 228	
Elevated Storage	\$ 195	\$ 28	\$ 98	\$ 167	\$ 98	
Transmission	\$ 337	\$ 205	\$ 169	\$ 132	\$ 169	
Allocated Impact Fee Study Cost	\$ 8	\$ -	\$ -	\$ 8	\$ 8	
Total Water	\$ 2,718	\$ 433	\$ 1,355	\$ 2,285	\$ 1,363	\$ 2,285
WASTEWATER						
Treatment	\$ 1,059	\$ 79	\$ 530	\$ 981	\$ 530	
Pumping	\$ 751	\$ 13	\$ 375	\$ 737	\$ 375	
Interceptors	\$ 1,924	\$ 145	\$ 962	\$ 1,779	\$ 962	
Allocated Impact Fee Study Cost	\$ 8	\$ -	\$ -	\$ 8	\$ 8	
Total Wastewater	\$ 3,742	\$ 237	\$ 1,867	\$ 3,506	\$ 1,875	\$ 3,506
TOTAL WATER/WASTEWATER	\$ 6,461	\$ 670	\$ 3,222	\$ 5,791	\$ 3,239	\$ 5,791

8.0 COMPARABLES

For comparison purposes, the current impact fees for a new standard residential connection (1 LUE) in other nearby cities and utilities are as follows:

City/Utility	Last Updated	Water	Wastewater	Total
New Braunfels Utilities	2011	\$2,311	\$1,571	\$3,882
Seguin	2007	\$1,875	\$2,374	\$4,249
Cedar Park	2007	\$2,250	\$2,000	\$4,250
Kyle	2008	\$2,115	\$2,216	\$4,331
San Marcos - Current	2002	\$2,466	\$2,185	\$4,651
Buda	2010	\$2,187	\$2,531	\$4,718
Pflugerville	2007	\$2,403	\$2,414	\$4,817
Austin (maximum fee calculation)	2007	\$3,307	\$1,852	\$5,159
Leander	2012	\$3,880	\$1,615	\$5,495
Hutto	2013	\$3,625	\$2,128	\$5,753
San Marcos – Maximum Calculation	2013	\$2,285	\$3,506	\$5,791
San Antonio Water System (high pressure plane and upper ww collection zones)	2011	\$3,510	\$2,347	\$5,847
Round Rock	2012	\$3,889	\$2,073	\$5,962
Boerne	2009	\$2,563	\$3,629	\$6,192
Georgetown	2010	\$4,714	\$1,694	\$6,408
Schertz	2012	\$4,240	\$3,468	\$7,708
West Travis County PUA – Hwy 71 Area	2012	\$5,992	n/a	n/a
Dripping Springs (DSWSC and WTCPUA water and City wastewater)	2008-2012	\$10,809	\$9,752	\$20,561

9.0 ADVISORY COMMITTEE ACTIONS AND RECOMMENDATIONS

The following summarizes the Advisory Committee activities during the impact fee updating process:

- On 6/25/13, the Committee met to:
 - Review Chapter 395 Impact Fee process and requirements.
- On 9/24/13, the Committee met to:
 - Review land use and CIP information
 - Review the draft impact fee calculations
 - Review the draft report to Council
- On 10/8/13, the Committee met to:
 - Make findings and recommendations to Council

The Advisory Committee makes the following findings and recommendations:

- The land use assumptions and Capital Improvements Plans underlying the maximum fee calculations are consistent with State law and good engineering practices.
- The Advisory Committee finds that the data and methodology underlying the maximum impact fee calculation are reasonable and useful for City purposes.
- By a 9-0 vote, the Advisory Committee concurs with reasonableness of the underlying data and methodology used in the calculation of the following maximum fee amounts:

MAXIMUM FEE CALCULATIONS

Water Impact Fee per LUE	\$ 2,285
<u>Wastewater Impact Fee per LUE</u>	<u>\$ 3,506</u>
Total Combined Fee per LUE	\$ 5,791

- However with the stated intent of promoting economic development competitiveness with nearby cities, the Committee voted 9-0 to recommend that Council consider leaving the combined water and wastewater impact fee at its *current* amount of \$4,651 per LUE.

SCHEDULE 1
APPLICABLE WATER AND WASTEWATER IMPACT FEE AMOUNTS*
CITY OF SAN MARCOS, TEXAS
DEVELOPMENT ASSESSED ON OR AFTER 10/5/2002

Meter Size/Type	Living Units Equivalent (LUEs) per Meter	Continuous Duty GPM	Impact Fee 2002 Update**	Impact Fee 2013 Update
WATER				
5/8" x 3/4"	1.00	10.00	\$ 2,466	\$ 2,285.00
3/4"	1.50	15.00	\$ 3,699	\$ 3,427.50
1"	2.50	25.00	\$ 6,165	\$ 5,712.50
1.5"	5.00	50.00	\$ 12,330	\$ 11,425.00
2"	8.00	80.00	\$ 19,728	\$ 18,280.00
2" Turbine	10.00	100.00	\$ 24,660	\$ 22,850.00
3" Displacement	9.00	N/A	\$ 22,194	\$ 20,565.00
3" Compound	16.00	160.00	\$ 39,456	\$ 36,560.00
3" Turbine	24.00	240.00	\$ 59,184	\$ 54,840.00
4" Compound	25.00	250.00	\$ 61,650	\$ 57,125.00
4" Turbine	42.00	420.00	\$ 103,572	\$ 95,970.00
6" Compound	50.00	500.00	\$ 123,300	\$ 114,250.00
6" Turbine	92.00	920.00	\$ 226,872	\$ 210,220.00
8" Compound	80.00	800.00	\$ 197,280	\$ 182,800.00
8" Turbine	160.00	1,600.00	\$ 394,560	\$ 365,600.00
10" Compound	115.00	N/A	\$ 283,590	\$ 262,775.00
WASTEWATER				
5/8" x 3/4"	1.00		\$ 2,185	\$ 3,506.00
3/4"	1.50		\$ 3,278	\$ 5,259.00
1"	2.50		\$ 5,463	\$ 8,765.00
1.5"	5.00		\$ 10,925	\$ 17,530.00
2"	8.00		\$ 17,480	\$ 28,048.00
2" Turbine	10.00		\$ 21,850	\$ 35,060.00
3" Displacement	9.00		\$ 19,665	\$ 31,554.00
3" Compound	16.00		\$ 34,960	\$ 56,096.00
3" Turbine	17.50		\$ 38,238	\$ 61,355.00
4" Compound	25.00		\$ 54,625	\$ 87,650.00
4" Turbine	30.00		\$ 65,550	\$ 105,180.00
6" Compound	50.00		\$ 109,250	\$ 175,300.00
6" Turbine	62.50		\$ 136,563	\$ 219,125.00
8" Compound	80.00		\$ 174,800	\$ 280,480.00
8" Turbine	160.00		\$ 349,600	\$ 560,960.00
10" Compound	115.00		\$ 251,275	\$ 403,190.00

Maximum fees for 2002 update are:	Maximum fees for 2013 update are:
Water \$2,466/ LUE	Water \$2,285/ LUE
Wastewater \$2,185/ LUE	Wastewater \$3,506/ LUE

* Applicable amount may be reduced by any City-approved offsets.

**Exemption Rate in Ordinance 2002-81 is still in effect for remaining qualifying lots

SCHEDULE 2
APPLICABLE WATER AND WASTEWATER IMPACT FEE AMOUNTS*
CITY OF SAN MARCOS, TEXAS
DEVELOPMENT ASSESSED ON OR BEFORE 10/4/2002

Type of Use	Living Units Equivalent (LUEs) per Meter
1 Residential	
Single Family	1.0/ unit
Multifamily	.85/ unit
2 Hotel/ Motels	.39/ Room
3 Hotel/ Motels with restaurant and/or bar	.39/ Room plus .001/sq. ft. of bldg in restaurant and/or bar
4 Hospitals	.57/ Bed
5 Restaurant/ Bar	.001/ sq. ft. of bldg.
6 Group living quarters (nursing homes, fraternit	.28/ bed
7 Office/ Warehouse	.0002/ sq. ft. of bldg
8 Industrial	.0002/ sq. ft. of bldg
9 Laundromats	.22/ washing machine
10 Carwash	.70/ wash rack
11 Hair salons and barbershops	.35/ washbasin

* Applicable amount may be reduced by any City-approved offsets.

Maximum calculated fees are:

Water \$363/ LUE

Wastewater \$527/ LUE